

**CARO AREA DISTRICT LIBRARY**

Caro, Michigan

**FINANCIAL REPORT**

December 31, 2004

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name Care Area District Library	County Tuscola
Audit Date December 31, 2004	Opinion Date 2-25-05	Date Accountant Report Submitted to State: March 18, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tuckey, Bernhardt & Doran, P.C.			
Street Address 715 E. FRANK ST.	City CARO	State MI	ZIP 48723
Accountant Signature Gayle Anderson CPA			

# **Caro Area District Library**

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

February 25, 2005

## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Caro Area District Library  
Caro, Michigan 48723

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Caro Area District Library, Caro, Michigan, for the year ended December 31, 2004 as listed in the Table of Contents, which collectively comprise a portion of the Caro Area District Library's basic financial statements required by the accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Caro Area District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Caro Area District Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Caro Area District Library as of December 31, 2004, or changes in its financial position for the year ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Caro Area District Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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## General Purpose Financial Statements

**CARO AREA DISTRICT LIBRARY**  
**COMBINED BALANCE SHEET -**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
December 31, 2004

	<b>GOVERNMENTAL FUND TYPE</b>	<b>ACCOUNT GROUP</b>	<b>TOTALS (MEMORANDUM ONLY)</b>	
	<b>GENERAL</b>	<b>GENERAL FIXED ASSETS</b>	<b>REPORTING ENTITY 2004</b>	<b>2003</b>
<b><u>ASSETS</u></b>				
Cash	\$ 202,377		\$ 202,377	\$ 143,591
Taxes receivable	350,695		350,695	337,205
Investments - stocks	10,028		10,028	10,028
Accounts receivable	-		-	9,138
General fixed assets		\$ 864,342	864,342	852,086
<b>TOTAL ASSETS</b>	<b>\$ 563,100</b>	<b>\$ 864,342</b>	<b>\$ 1,427,442</b>	<b>\$ 1,352,048</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Accounts payable	\$ 3,763		\$ 3,763	\$ -
Accrued sick pay	8,857		8,857	7,215
<b>TOTAL LIABILITIES</b>	<b>12,620</b>		<b>12,620</b>	<b>7,215</b>
Fund Equity:				
Investment in general fixed assets		\$ 864,342	864,342	852,086
Fund Balances:				
Unreserved:				
Undesignated	419,733		419,733	492,747
Designated for Special Projects	130,747		130,747	-
<b>TOTAL FUND EQUITY</b>	<b>550,480</b>	<b>864,342</b>	<b>1,414,822</b>	<b>1,344,833</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 563,100</b>	<b>\$ 864,342</b>	<b>\$ 1,427,442</b>	<b>\$ 1,352,048</b>

The accompanying notes are an integral part of the financial statements.

**CARO AREA DISTRICT LIBRARY**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED DECEMBER 31, 2004**

	<b>TOTALS</b> <b>(MEMORANDUM ONLY)</b>	
	<b>REPORTING ENTITY</b>	
	<b>2004</b>	<b>2003</b>
REVENUES:		
Taxes		
Intergovernmental revenue	\$ 340,102	\$ 332,639
Fines	7,074	10,740
Miscellaneous	92,983	107,600
	<u>70,382</u>	<u>51,354</u>
TOTAL REVENUES	<u>510,541</u>	<u>502,333</u>
EXPENDITURES:		
Salaries & employee benefits		
Library materials	239,860	232,884
Operational	144,722	118,196
Miscellaneous	54,678	42,041
Capital outlay	1,292	2,076
	<u>12,256</u>	<u>35,830</u>
TOTAL EXPENDITURES	<u>452,808</u>	<u>431,027</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	57,733	71,306
FUND BALANCE - BEGINNING	<u>492,747</u>	<u>421,441</u>
FUND BALANCE - ENDING	<u><u>\$ 550,480</u></u>	<u><u>\$ 492,747</u></u>

The accompanying notes are an integral part of the financial statements.

**CARO AREA DISTRICT LIBRARY**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>GENERAL FUND</b>		<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
	<b>BUDGET</b>	<b>ACTUAL</b>	
REVENUES:			
Taxes	\$ 342,889	\$ 340,102	\$ (2,787)
Intergovernmental revenue	10,740	7,074	(3,666)
Fines	100,000	92,983	(7,017)
Miscellaneous	27,702	70,382	42,680
TOTAL REVENUES	<u>481,331</u>	<u>510,541</u>	<u>29,210</u>
EXPENDITURES:			
Salaries and employee benefits	241,161	239,860	1,301
Library materials	157,170	144,722	12,448
Operational	55,000	54,678	322
Miscellaneous	2,000	1,292	708
Capital outlay	8,000	12,256	(4,256)
TOTAL EXPENDITURES	<u>463,331</u>	<u>452,808</u>	<u>10,523</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,000	57,733	39,733
FUND BALANCE - BEGINNING	<u>492,747</u>	<u>492,747</u>	-
FUND BALANCE - ENDING	<u>\$ 510,747</u>	<u>\$ 550,480</u>	<u>\$ 39,733</u>

The accompanying notes are an integral part of the financial statements.



**CARO AREA DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:**

The Township of Indianfields and the Caro Public Schools entered into a District Library agreement on January 1, 1997 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Board of Trustees determined that the Library shall be known as the "Caro Area District Library." The District Library district shall be comprised of all that territory in the County of Tuscola which is located in the jurisdiction limits of the Caro Public Schools, State of Michigan.

The District Library is governed by a board consisting of seven members elected at large from the district.

On January 7, 1997, the Board of the Township of Indianfields transferred ownership of the real estate located at 840 West Frank Street, Caro, Michigan to the Library. Also transferred on that date were all other assets, personal, tangible and intangible relating to the funds of the Library.

Funding will be provided by a Library District millage. In June, 2002 voters approved a renewal of 1 mill levy for the years 2002 to 2010. In June 2002, an additional .5 mill increase was approved for the years 2002 to 2010.

**Reporting Entity:**

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the general purpose financial statements of the Caro Area District Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

**Basis of Presentation - Fund Accounting:**

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

**Governmental Funds:**

*General Fund* - The General Fund is the general operating fund of the District Library. It is used to account for all financial resources except those required to be accounted for in another fund.

**Account Groups:**

*General Fixed Asset Group* - This account group presents the balance of fixed assets at historical or estimated cost which are not recorded in proprietary type funds.

**"Total - (Memorandum Only)":**

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

**CARO AREA DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting:**

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers property taxes as available if they are collected within 60 days after year-end. A one year availability period is used for revenue recognition for all other Library fund revenues susceptible to accrual. Expenditures are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**Accounting For Capital Expenditures:**

General accepted accounting principles applicable to governmental units provides for differing accounting treatment for capital expenditures, dependent upon the category of the funds from which the expenditures is made. In all library funds, including the general fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then recorded in a "general fixed asset" group of accounts.

**Budgets And Budgetary Accounting:**

Caro Area District Library adopts a budget for the General Fund just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

**NOTE 3 - CONTINGENT LIABILITIES:**

Under the terms of the present personnel policy adopted by the Library Board of Trustees, the Board is required to pay each regular employee their accumulated vacation leave time, up to 25 days, at 100% of current pay upon termination. Since the exact amount of this liability is indeterminable until termination of employment, no provision for it has been made in the accompanying financial statements.

The Library has elected to be treated as a reimbursing employer for unemployment tax purposes. Any employment benefits paid to the Library employees by the Michigan Unemployment Fund must be reimbursed by the Library on a dollar for dollar basis. The expense is recognized when the district becomes liable to the State for benefits paid.

**CARO AREA DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 4 - CHANGES IN GENERAL FIXED ASSETS:**

A summary of changes in the recorded general fixed assets follows:

	<b>BALANCE DECEMBER 31, 2003</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>BALANCE DECEMBER 31, 2004</b>
GENERAL FIXED ASSETS:				
Building	\$556,752	\$ 8,255		\$565,007
Furniture	138,636	1,770		140,406
Equipment	<u>156,698</u>	<u>2,231</u>		<u>158,929</u>
TOTAL GENERAL FIXED ASSETS	<u>\$852,086</u>	<u>\$12,256</u>	<u>NONE</u>	<u>\$864,342</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS:**

Deposits are carried at cost. Deposits of the Caro Area District Library are at banks in the name of the Caro Area District Library.

The Governmental Accounting Standards Board Statements No. 3 risk disclosures for the General Fund cash deposits are as follows for December 31, 2004:

	<b>GENERAL FUND - CARRYING AMOUNT UNRESTRICTED ASSETS</b>	<b>RESTRICTED ASSETS</b>
Cash	<u>\$202,377</u>	<u>\$0</u>
TOTAL	<u>\$202,377</u>	<u>\$0</u>

At December 31, 2004, the carrying amount of the Library's deposits was \$202,377 and the bank balance was \$205,146 of which \$100,000 was covered by federal depository insurance and \$105,146 was uninsured and uncollateralized.

**Investments:**

The Library received a gift of 382 shares of Rockwell International stock with a value of \$26.25 per share on March 10, 1992. As a result of Rockwell split offs, the Library now owns 92.25 shares of Arvin Meritor, 382 shares of Conexant, 134 shares of Skyworks Solution, 127 shares of Mindspeed Technologies, 382 shares of Rockwell Collins, and 28 shares of The Boeing Company. The fair market value of these shares at December 31, 2004 was \$22.37, \$1.99, \$9.43, \$2.78, \$39.44 and \$51.77, respectively. The fair market value of the Rockwell International stock at December 31, 2004 was \$49.55 per share. The total fair market value of all the stock at December 31, 2004 was \$41,582.32. The Library investments are categorized to give an indication of the level of risk assumed by the Library at year-end. Category 1 includes investments that are insured or registered, or securities held by the Library or the Library's agent in the Library's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counter-party's trust department or its agent in the Library's name.

Category 3 includes investments that are uninsured and unregistered, with the securities held by the counter-party, or by its trust department of its agent but not in the Library's name. At December 31, 2004, the Library had no Category 2 or 3 investments.

**CARO AREA DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 6 - RISK MANAGEMENT:**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

**NOTE 7 - PROPERTY TAXES:**

The property tax is levied each December 1 on the assessed valuation of the property located in the Townships. The Caro Area District Library receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library tax revenues are recognized in the fiscal year which includes the December 1 levy date. The Library levied 1.4794 mills for 2004.

**NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN:**

The Library established a SIMPLE IRA plan on September 23, 2002, which covers all qualifying employees of the Library.

Under the plan, the Library contributes an amount equal to two percent (2%) of the qualifying employee's wages to the plan on behalf of the employee.

All amounts contributed are immediately and fully vested with the employee. Total contributions under the plan were \$2,809 during 2004.

**NOTE 9 – DESIGNATED FUND BALANCE:**

The fund balance in the General Fund has been designated by the Board for the purpose of technology and capital expenditures, in the amount of \$130,747.

## Supplemental Information

**CARO AREA DISTRICT LIBRARY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes:			
Current property taxes	<u>\$ 342,889</u>	<u>\$ 340,102</u>	<u>\$ (2,787)</u>
Total Taxes	<u>342,889</u>	<u>340,102</u>	<u>(2,787)</u>
Intergovernmental:			
State aid	<u>10,740</u>	<u>7,074</u>	<u>(3,666)</u>
Total Intergovernmental	<u>10,740</u>	<u>7,074</u>	<u>(3,666)</u>
Fines:			
Penal fines	<u>100,000</u>	<u>92,983</u>	<u>(7,017)</u>
Miscellaneous Revenues:			
Interest & dividend income	1,300	2,550	1,250
Gifts	3,000	35,594	32,594
Miscellaneous income	14,402	22,925	8,523
Video rentals	<u>9,000</u>	<u>9,313</u>	<u>313</u>
Total Miscellaneous	<u>27,702</u>	<u>70,382</u>	<u>42,680</u>
TOTAL REVENUES	<u>\$ 481,331</u>	<u>\$ 510,541</u>	<u>\$ 29,210</u>

See the accompanying notes.

**CARO AREA DISTRICT LIBRARY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Salaries & Employee Benefits:			
Salaries	\$ 204,548	\$ 209,586	\$ (5,038)
Employee benefits	36,613	30,274	6,339
Total Salaries & Employees Benefits	<u>241,161</u>	<u>239,860</u>	<u>1,301</u>
Library Materials:			
Books	63,170	62,144	1,026
Periodicals	6,000	6,233	(233)
Supplies	16,000	15,952	48
Contract fees	50,000	39,341	10,659
Electronic materials	7,000	4,160	2,840
Videos	15,000	16,892	(1,892)
Total Library Materials	<u>157,170</u>	<u>144,722</u>	<u>12,448</u>
Operational:			
Insurance	7,500	7,382	118
Utilities and telephone	18,500	18,522	(22)
Repairs and maintenance	22,500	24,755	(2,255)
Postage	3,000	1,505	1,495
Programming	1,500	1,054	446
Professional development	2,000	1,460	540
Total Operational	<u>55,000</u>	<u>54,678</u>	<u>322</u>
Other Miscellaneous	<u>2,000</u>	<u>1,292</u>	<u>708</u>
Capital Outlay	<u>8,000</u>	<u>12,256</u>	<u>(4,256)</u>
TOTAL EXPENDITURES	<u>\$ 463,331</u>	<u>\$ 452,808</u>	<u>\$ 10,523</u>

See the accompanying notes.